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9 June 1948

**MEMORANDUM****SUBJECT: ADMINISTRATION AND MANAGEMENT, CIA**25 YEAR  
RE-REVIEW**General**

1. Administration and Management (A & M) is charged with matters pertaining to budgetary action, accounting and fiscal support, logistics and personnel services and management. It is a moderately large unit of some [ ] persons. Since the separation of Reference Center and its reconstitution as Office of Collection and Dissemination, A & M has four branches, i. e., Budget and Finance Branch, Services Branch, Personnel Branch and Management Branch.

2. [ ] Executive for A & M, enlisted in the regular Army at the age of 16 and by 1943 had risen to the temporary rank of Colonel. He retired from active service in 1947 as a master sergeant at the age of 42. His background appears to be mostly administrative, and he is probably a capable administrative officer. From several talks with [ ] I would judge him to be shrewd and somewhat calculating, with a desire for power and ability to have his finger in every pie (this may be slightly colored by outside opinion, but [ ] told me that he considers himself as a combination of G-1, G-3 and G-4). I believe him to be determined and ambitious.

3. [ ] I have talked with him twice, and he has made no very clear impression. I believe he admires [ ] and is imbued with the A & M spirit.

**Budget and Finance Branch**

1. Chief of the Budget and Finance Branch is Edward L. Saunders, BSC and MSC, Southeastern University, Washington, D. C. Saunders has a long background of Government experience, mostly in affairs of budget and finance. He appears to be a rather mild man, perhaps slightly lacking in force, but he is enthusiastic about his job and, I believe, knows his business. He claims that his relations with the Bureau of the Budget and the GAO are excellent, that he has never had a budget pared down, and is confident of his ability to obtain supplementary funds when necessary. His Branch is divided into three divisions, totalling approximately [ ] persons.

**2. Budget Division**

This Division is responsible for preparation of the annual budget and for handling of all CIA budgetary affairs with the Bureau of the Budget. They also coordinate with Management Branch in the establishment

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of ceilings. Saunders discussed briefly the various steps in preparation of the budget. There are various hidden items which CIA guards jealously. Saunders also told me that he would be delighted to show us a copy of the complete budget, but he felt that this ought to be done on a high level. If the Committee is to see the budget as a whole and go into the various items in its composition, I feel that one of the group should take this up with the Director.

### 3. Fiscal Division

Is responsible for handling of all pay rolls and accounting for CIA. They have a very close and unusual relationship with GAO. For security purposes, two of the GAO accountants have top CIA clearance, and all CIA accounting is done by them on CIA premises, and finished accounts are kept in a GAO safe on CIA premises.

### 4. Special Services Division

This Division deals exclusively with budgetary and accounting problems of OSO. This needs more amplification but, needless to say, Saunders did not want to discuss such funds in detail.

### Services Branch

1. This Branch, comprising five main divisions, is responsible for house-keeping functions and logistic support for CIA. It consists of approximately [ ] personnel. Chief of the Branch is [ ] who appears to be forceful and, as far as I could judge, efficient. He has a background of Government work since 1934 and was in OSS from 1942 up until his assignment to CIA.

### 2. Transportation Division

Is responsible for operating a motor pool for transportation purposes, and also a pool of 24 trucks for delivery of supplies and equipment in Washington, and also the occasional delivery of equipment to the OO branches in the field and to embarkation points for shipment to foreign installations.

### 3. Reproduction Division

This Division handles all reproductions consisting of photostats, micro-films, photographs, mimeographs, FBIB material, etc. Printing is done by a GPO unit which handles mostly CIA and State Department products. All personnel are fully cleared. According to [ ] in March this Division processed approximately 4,600,000 reproductions of all kinds.

### 4. Supply Division

This Division handles all bids, contracts, requisitions, purchases and supplies. They are also responsible for packing and shipment.

### 5. Property Control Division

Is responsible for property accounting procedure and the maintenance of property accounts.

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## 6. Services Division

Is responsible for couriers, interior telephone maintenance, space control, building maintenance and administrative activities in relation to moving FBIB installations abroad and in this country.

7. The Services Branch is vitally interested in the possibility of more centralization. [ ] told me that at this time CIA had some [ ] square feet of space [ ] Some months ago, studies were made of various locations and building estimates with the idea in mind of putting all of CIA under one roof. They were unable to find a spot centrally located which they considered adequate, and they discovered that a building of the type necessary would cost approximately \$25,000,000. The plan was temporarily shelved as it was felt that the time was not propitious to embark on such a project.

## Personnel Branch

1. This Branch is primarily interested in recruiting, maintaining personnel position control system to reflect budgetary, classification, and organizational status of all positions. It also provides medical and employee relation services and has approximately [ ] persons on duty. [ ] Chief of the Branch, is a young man of 30 who took an AB degree at Boston College in Political Science and Business Administration. From 1940 until his assignment to CIA in 1946, he had diversified experience in various Government departments. He was also Chief of Personnel in the ETO and MEDTO during 1945 and 1946. I have had several talks with Kelly and find him a hard-working, enthusiastic individual, who is aware of the many difficulties with which his Branch is confronted, and all in all, made a favorable impression on me. Incidentally, although recruiting and personnel problems are a very sore point throughout CIA, I have never heard any criticism of Kelly personally.

2. Problems of recruiting and turnover of personnel will be discussed later on.

## Management Branch

1. This Branch conducts over-all management surveys, supervises organizational matters, establishes personnel ceilings, and provides operational analysis. [ ] who is Chief of the Branch, is 33 years of age, and a graduate of Willamette University, Salem, Oregon. He has had experience over a number of years in personnel and management work, both in and out of Government, and was an Ensign with USNR from April, 1942, until October, 1942.

## 2. Management Surveys

These surveys are not produced at regular intervals but only in specific instances as required by the directorate or the Executive for A & M. [ ] claims that his Branch keeps closely in touch with day to day operations and suggests from time to time improvements in methods and pro-

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cedures, so that a complete survey is seldom necessary. He feels that the functions of his Branch should be more preventive than curative in nature.

### 3. Operational Analysis

A system has been devised for the various offices to report their activities on a monthly basis. These reports are summarized and presented graphically where possible by the Branch with the intention of showing trends in intelligence production, requests for collection and dissemination, etc. Only four copies of this report are produced, and it is very jealously guarded.

4. One always feels that a management branch, to justify its existence, must have a tendency to continually over-manage. However, [redacted] although young and fired with great zeal, attempts to approach his problems with moderation.

### Criticism of Administration and Management

1. Criticism of A & M necessarily comes from inside CIA and, more specifically, from OO and ORE. There is a considerable amount of criticism on such minor matters as space, delay in obtaining supplies, etc. There are, however, five major subjects which are worthy of discussion.

2. The principle criticism leveled against A & M is to the effect that there has been created by Administration a virtually impenetrable layer between the Director and the Assistant Directors for the operating Offices, and that [redacted] personally wields far too much authority and has become the closest and most important advisor to the Director. This criticism would appear valid. The whole question of staff levels seems to be wrong. Whereas in theory the Executives and Assistant Directors are on the same level, in practice this is not so. Whether by chance, progressive encroachment, or deliberate usurpation of prerogatives and power, the Executive for A & M has become the most influential staff member, and the Assistant Directors find themselves on a somewhat lower level. The fact that CIA is so decentralized increases this difficulty as the Assistant Directors are located at a considerable distance from the Director. To my mind, the Assistant Directors of the operating Offices should form a close advisory group to the Director. At the present time, this does not appear to be so. There have been so many directives for procedure issued, and so many channels for reporting have been set up, that it is very difficult to forward important papers to the Director and receive favorable consideration. There appears to be very little discussion on major problems between the Director and Assistant Directors, and I am told that, at present, the weekly staff meeting consumes less than half an hour, and that no current problems are discussed in detail at these meetings. The success of CIA will depend upon the efficiency of the operating Offices and not upon performance of A & M.

3. There is criticism of the predominance of Service and State personnel in high brackets, and the fact that replacements are frequently made from outside and not by promotion. This criticism would also appear valid. At present, key slots are reserved for approximately 20 representatives of each

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of the Armed Services and 15 for State Department. The Service personnel unquestionably consider their assignment to CIA as a two-year tour of duty.

25X1 [ ] claims that this constant change brings in new personnel with fresh ideas who are in touch with the latest Service thinking. On the other hand, I believe that it must destroy continuity. It also means that occasionally replacement in these reserved slots are made by selection of a Service or State representative with too little consideration of the fact that there may be better qualified civilian personnel available. When replacement is made from outside in this manner and not through promotion, it tends to discourage CIA personnel. For instance, George Carey, who was Gen. Sibert's Deputy in OO, has been promoted to be Assistant Director in General Sibert's place. However, his Deputy, instead of being brought up through the ranks, is going to be procured from one of the Services. 25X1 [ ] claims that gradually the number of these Service slots will be whittled down from the present [ ] to [ ] or less. Unquestionably, there should be some Service and State personnel in CIA, but there is a very grave question in my mind as to whether the present number is not far too large. 25X1

4. The size of A & M has often been criticized, and it has been stated that the ratio of A & M to the whole of CIA is one to three. I am not quite sure whether this criticism is valid, as it is based on personnel figures of approximately [ ] for A & M and approximately [ ] for CIA. Reference Center has been removed from A & M (although it will unquestionably remain very much within the [ ] sphere of influence), which will reduce the A & M personnel to approximately [ ]. The CIA figure of [ ] does not include OSO personnel. If the OSO personnel figure were included in the CIA total and Reference Center were deducted from A & M, the resultant ratio would be very much more favorable to A & M. On this comparative basis, the size of A & M does not appear unreasonably large, and it is probable that A & M is accomplishing its normal mission of service, supply, personnel procurement, etc. in an adequate manner. 25X1

5. Personnel recruiting within CIA also seems to be the subject of much unfavorable comment, and the proportion of turnover has been mentioned several times. Actually, for the period 1 February 1947 through 30 April 1948, there were a total of [ ] separations. This figure does not include OSO. During the same period, accretions amounted to [ ] both through recruiting and absorption of entire units such as the Map Division of ORE. Recruiting, however, does present many difficulties. At the present time, there is a noticeable shortage of clerical personnel and severe competition between the various Washington Departments and agencies. New and temporary agencies such as ECA are making drives for clerical personnel and, in some cases, are able to offer them better positions than the existing departments. Kelly, Chief of the Personnel Branch, has been in close contact with schools in Washington and feels that upon graduation in June, he will have between 100 and 150 candidates lined up. I feel that he is doing everything within his power to solve this problem. Recruiting for ORE, OO and SO also presents problems as requirements in many cases are specialized. For instance, OO in their Foreign Documents and FBIB Branches require a large number of people with two or more language backgrounds, some intelligence experience and, in many cases, considerable area knowledge. As many of these people are foreign born, the security question is rather acute. This, to a certain extent, is 25X1

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also true ORE. Kelly feels that he is tapping every available source. He is combing the lists of reserve ONI, Air Intelligence and Army Intelligence offices. He is in close contact with many colleges and universities and other institutions in the country. His Branch has scanned, for instance, the list of ECA applicants. He now has recruiting teams that travel about the country calling on colleges, large banks and corporations. The recruiting problem in a new and growing organization is always difficult, but I feel that the program, given time, may show results.

6. As is usually the case, there has been criticism of the difficulty in obtaining promotions. Kelly states that Personnel Branch only checks promotions on the basis of available slots and time in grade, and he says that about 90 per cent go through on recommendation of the Branch Chief. This may be true, but on the other hand, I am told by George Carey, Assistant Director of OO, that CIA has changed, more than once, the time in grade requirements. In one specific case, he stated that they had taken on a P-4 with the understanding that within six months he would be promoted to P-5. After the man had been hired, time in grade requirements had been changed to a year and later 18 months, so that as far as I know, Carey's man is still a P-4. By and large, however, promotion problems are probably not more acute than in other departments and agencies.

#### Matters that Possibly Require Further Study

1. Whether the Executive for A & M occupies too powerful a position in relation to the Assistant Directors.

2. Whether A & M has become a barrier between the Director and the Assistant Directors, thereby hindering the Assistant Directors in the performance of their normal function as close advisors to the Director. Whether this is due to red tape, channelizing, physical decentralization of buildings, personalities or other reasons.

3. That the question of Service and State slots is one that merits attention due to the attendant lack of continuity in higher brackets brought about by the return of such personnel to their parent Service after a two-year tour of duty.

4. Whether it might be wise to further review the recruiting program in light of clerical personnel problems and the difficulty through special qualifications of recruiting for ORE, OO and OSO. It is admittedly a difficult thing to make a survey of a personnel program, and the Chief of the Personnel Branch does appear to be energetic and to be attempting to tap every source.

JL:kb